Client profile
Intergenerational Planning

Client profile and common concerns

- High-net-worth family interested in transferring wealth to multiple generations
- Significant assets still held by eldest generation and/or they may be uninsurable
- Eldest generation has used much of their lifetime exemption through gifts to middle generation
- Projected inheritance for youngest generation results in significant estate tax exposure
- Middle generation has not completed planning for benefit of youngest generation

Questions to ask

- Has life insurance been part of previous trust planning?
- What are your goals for the youngest generation?
- Have you used other tools to reduce estate taxes — charitable planning, grantor retained annuity trusts (GRATs), etc.?
- Are you aware of techniques other than gifting that can help facilitate wealth transfer to multiple generations?

Potential solution

- Grandparents have an estate tax problem and are no longer insurable. They would like to protect their legacy by providing for their grandchildren, while their children have limited liquidity.
- They have their attorney draft a dynasty trust to own a life insurance policy on their children for the benefit of their grandchildren.
- Grandparents enter into a split dollar arrangement with the dynasty trust, loaning a lump sum to pay the premium(s) for the life insurance policy on their children.
- The economic benefit is paid through gifts from the grandparents to the dynasty trust.
- The promissory note between grandparents and the dynasty trust will be included in the grandparents' estate.
- Grandparents promote a legacy of wealth for multiple generations.

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